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**FISCAL IMPACT STATEMENT**

**LS 6842**

**BILL NUMBER:** HB 1104

**NOTE PREPARED:** Jan 1, 2010

**BILL AMENDED:**

**SUBJECT:** Revised Lake County levy limit based on LOIT.

**FIRST AUTHOR:** Rep. Smith V

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that the Lake County assessed value growth quotient for determining a maximum property levy is one unless Lake County imposes a local option income tax for property tax (LOIT) relief for that calendar year. (Current law provides that Lake County's growth quotient is one unless Lake County adopts a LOIT for property tax relief at a rate of 1%.)

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, civil taxing units in Lake County cannot increase property tax levies for funds that are subject to the maximum levy limitation because the county has not adopted a property tax relief LOIT at a 1% tax rate.

Under this bill, beginning with taxes payable in 2011, the 1% tax rate requirement would be removed so civil unit levy limits would grow by the statewide levy growth factor if the county adopts a property tax relief LOIT at any allowable tax rate.

Under current law, either the county council or the county income tax council (made up of the county and municipalities) in Lake County may adopt a property tax relief LOIT. The tax rate may be adopted in

increments of 0.05%, up to a maximum of 1%. Revenue generated from a property tax relief LOIT must be used to provide homestead credits, property tax replacement credits for residential property owners, property tax replacement credits for all taxpayers, or any combination of the three. These credits must be paid at a uniform rate within the county.

The Lake County Council may also, by ordinance, determine that the revenue is to be used as follows:

1. To reduce levies imposed by the county taxing unit;
2. (a) The tax revenue collected from taxpayers within a particular municipality may be used to provide a local property tax credit at a uniform rate against property taxes imposed by that municipality; and (b) The tax revenue collected from taxpayers within the unincorporated area may be used to provide a local property tax credit to taxpayers within the unincorporated area at a uniform rate against the county unit levy; or
3. Sixty percent of the tax revenue would be used the same way as the #2 option. The remaining 40% would be distributed to the county and to townships and municipalities on the basis of population and used to reduce those taxing units' property tax levies.

A 1% LOIT is currently estimated to generate \$87 M per year in Lake County. Each 0.05% increment is estimated at \$4.35 M. If Lake County adopted a property tax relied LOIT in 2010, civil taxing unit maximum levies would increase by an estimated \$11.6 M in CY 2011, \$21.5 M in CY 2012, and \$30.4 M in CY 2013, as compared to maximum levies under current law.

<b>Possible Increase in Levies if LOIT Adopted in 2010</b>			
<b>Unit Type</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
County	3.1	5.7	8.1
Townships	0.7	1.3	1.8
City/Towns	6.1	11.2	15.8
Schools	0.0	0.0	0.0
Libraries	0.8	1.5	2.0
Special Units	1.0	1.9	2.6
TIF Replacement	0.0	0.0	0.0
<b>Total</b>	<b>11.6</b>	<b>21.5</b>	<b>30.4</b>
<b>* Totals may not add due to rounding.</b>			

Circuit breaker credits would also be affected. The amount and direction of change would depend on the LOIT tax rate that would be adopted and on the method of distribution of the LOIT revenue.

**State Agencies Affected:**

**Local Agencies Affected:** Civil taxing units and school corporations in Lake County.

**Information Sources:** Local Government Database, DLGF.

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